

HART SCHAFFNER & MARX



Thirtieth Annual Report
November 30, 1940

HART SCHAFFNER & MARX
CHICAGO NEW YORK

New York, January 27, 1941

To the Stockholders of
Hart Schaffner & Marx

For the fiscal year ending November 30, 1940, the operations of your company resulted in a net income, after all taxes, of \$437,776.05. This compares with a net income of \$400,787.98 for the previous fiscal year. The parent company showed a profit of \$160,732.27. Profits of subsidiary companies accounted for the adjustment of \$277,043.78 in the reserve against the investments in subsidiary and affiliated companies. The actual increase in net worth of the company's investment in its affiliates was \$317,114.91.

The clothing industry in common with many others has faced steadily rising costs. In its desire to maintain its general price structure and to offer strong intrinsic values to the consumer the company continues to operate on a very narrow margin. That policy, however, which is reflected in the modest profit shown in wholesale operations, contributed to the increase in sales for the year.

Taxes represent an increasing factor in the cost of doing business. For the fiscal year ending November 30, 1940, federal, state and local taxes (exclusive of taxes paid by subsidiary and affiliated companies) represented a total of \$332,000.00. Your company is not subject to the Excess Profits Tax provided in the Second Revenue Act of 1940 because the fiscal year began December 1, 1939.

A dividend of \$1.00 per share was paid during November 1940 on the 142,313 shares of stock (exclusive of those held in the Treasury of the company) then outstanding. The financial position of the company is satisfactory. The bank indebtedness of \$500,000 as at November 30th has since been liquidated and the company has no indebtedness for borrowed money at the present time.

On behalf of your Board of Directors the attached financial statement of the company for the fiscal year ending November 30, 1940, accompanied by the report of the auditors, Messrs. Price, Waterhouse & Company, is respectfully submitted.

MARK W. CRESAP
President and Chairman of the Board

HART SCHAFF

A New York

BALANCE SHEET—N

Assets

Current Assets

Cash	\$ 485,375.81	
Notes and accounts receivable (less reserves), including receivables due from subsidiary and affiliated companies covered by net quick assets	4,297,211.32	
Inventories of materials and finished and partly finished merchandise on hand and in transit, at cost or market whichever is lower for current season's merchandise, and estimated realizable values for past seasons' merchandise	1,949,714.41	
Sundry accounts—including \$20,119.22 due by employees	<u>49,522.12</u>	\$6,781,823.66

Investments In and Non-Current Advances to Subsidiary and Affiliated Companies and Others (Less Reserves)

of which \$1,722,486.36 is represented by net quick assets of such companies	2,229,931.03
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Company's Capital Stock

held in Treasury		
4,930 shares at par	\$98,600.00	
2,757 shares at cost	<u>85,830.90</u>	184,430.90

Shop Equipment and Fixtures, and Office Furniture

At cost	\$1,244,006.04	
Less—Depreciation reserve	<u>977,782.84</u>	266,223.20

Deferred Charges

Prepaid factory rentals, prepaid insurance, supplies, etc.	86,786.69
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Goodwill, Trade Names and Trade Marks

At record value	<u>1.00</u>
	<u>\$9,549,196.48</u>

NER & MARX

Corporation

NOVEMBER 30, 1940

Liabilities

Current Liabilities

Notes payable to bank	\$500,000.00	
Accounts payable	83,331.31	
Liability for goods in transit	100,443.49	
Accrued salaries and wages	147,694.90	
Accrued Federal, state and local taxes (less cash of \$35,813.70 deposited in escrow to cover payment of real es- tate taxes)	<u>147,089.50</u>	\$ 978,559.20

Capital Stock

Common — Authorized and issued — 150,000 shares—par value \$20.00 each	3,000,000.00
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Capital Surplus

1,803,712.61

Earned Surplus

Per accompanying statement	<u>3,766,924.67</u>
	<u><u>\$9,549,196.48</u></u>

HART SCHAFFNER & MARX

A New York Corporation

STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS FOR FISCAL YEAR ENDED NOVEMBER 30, 1940

Profit of parent company for the year

after manufacturing, marketing and administrative expenses, provisions for depreciation of equipment, compensation adjustment, Federal income tax, and charge in respect of variation in intercompany profit in inventories of subsidiary companies, but before including adjustment of reserves against investments in certain subsidiary and affiliated companies

\$ 160,732.27

Adjustment of reserves

against investments in capital stocks of certain subsidiary and affiliated companies in respect of the increase in net worth of these companies for the year

277,043.78

(Note: The parent company's portion of the increase in net worth for the year of all of its subsidiary and affiliated companies was \$317,144.91)

Total, carried to earned surplus

\$ 437,776.05

Earned surplus at November 30, 1939

3,471,461.62

\$3,909,237.67

Less—Dividends Paid

142,313.00

Earned surplus at November 30, 1940

\$3,766,924.67

Report of Accountants

To the Stockholders of

Hart Schaffner & Marx

We have examined the balance sheet of Hart Schaffner & Marx as of November 30, 1940, and the statement of profit and loss and earned surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate.

We also made examinations of the financial statements of three of the larger subsidiary companies as at July 31, 1940. In addition we have been furnished with financial statements of all of the subsidiary companies as at November 30, 1940, certified by officers thereof, supported by certificates covering bank balances, detailed lists of receivables and particulars of inventories, and these statements and other supporting data were subjected to our review for the purpose of substantiating the correctness of the information furnished to us.

The accompanying balance sheet sets forth the assets and liabilities of the parent company. The investments in and non-current advances to subsidiary and affiliated companies are stated as such on the balance sheet, after deducting therefrom reserves provided in respect of reductions in the net worth of certain of these companies from the date of acquisition of such investments to November 30, 1940. The portion of the indebtedness of subsidiary and affiliated companies, which is represented by net quick assets, is included in the current assets.

In our opinion, the accompanying balance sheet and related statement of profit and loss and earned surplus presents fairly the position of Hart Schaffner & Marx at November 30, 1940, and the results of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

CHICAGO,

January 15, 1941

